



Date: March 17, 2014

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Kevin Dick, Director – Director, Office of Economic and Workforce Development
Subject: Amendment to the Economic Incentive Development Agreement with the Gentian Group, LLC for Capital Investments in 315 East Chapel Hill Street in Downtown Durham.

Executive Summary

This item recommends the approval of a contract to amend the agreement between the Gentian Group, LLC and the City of Durham related to the economic development incentive awarded to the Gentian Group, LLC on September 17, 2012.

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council authorize the City Manager to:

1. Hold a public hearing on the proposed amendment to an economic development economic incentive agreement per G.S. 158-7.1; and
2. Authorize the City Manager to execute an amendment to the original agreement between the Gentian Group, LLC and the City of extending the time required to secure a final Certificate of Compliance to no later than April 30, 2015;

Background

On September 17, 2012, the City Council approved an Economic Development Incentive Contract of up to \$605,000.00 for the proposed Holland Hotel (now called Hotel Durham) project, a 54-room select service hotel that would contain a restaurant and bar within the 315 East Chapel Hill property in downtown Durham. The project would create a new hotel in the heart of downtown and revitalize an iconic downtown building while providing much needed hotel rooms to support the Durham Convention Center. The project would expand Durham's tax base by generating new local taxes and

creating new permanent jobs. This project would continue to build momentum for the 24 hour per day/365 days per year thriving downtown that has been contemplated as an objective of the 2007 Downtown Durham Master Plan endorsed by the Durham City Council and many downtown stakeholders. The project is slated to create 91 new permanent downtown-based jobs and over 100 temporary construction jobs.

During the negotiation process, the Gentian Group, LLC (“Gentian”) advised City staff of their desire to use a portion of the existing right-of-way (ROW) of Holland Alley for the purpose of outdoor dining and site access. After the economic development incentive agreement was approved, in late February 2013, Gentian sought a street closure of Holland Alley as the means of obtaining access to the Holland Alley ROW. This process was anticipated to be completed in April 2013. Downtown residents and stakeholders voiced concerns related to the concept of the street closure of the Holland Alley. In response to those concerns, Gentian and City staff began to explore the feasibility of a revocable use easement for use of a portion of Holland Street (Alley) for use as outdoor dining and a primary entrance to the proposed Hotel Durham project.

As part of this process, Gentian agreed to further engage the downtown residents and stakeholders in the decision making process. Gentian agreed with the City to conduct public meetings that were held on October 22, 2013 and December 4, 2013. As a result of the public engagement process, the need for the development of architectural renderings of the proposed outdoor patio and seating area to be used in the revocable easement process, and the decision not to close the alley, the project was substantially delayed through no fault of the developer. Gentian voluntarily withdrew the street closure application in November 2013. Based on comments received from the public and the expressed interest of the applicant, the City-County Planning Department drafted a Revocable Use Easement with conditions for use of a portion of the Holland Alley as an outdoor dining area and a primary entrance to the proposed Hotel Durham development. The City Council approved the Revocable Use Easement for the Holland Alley to Gentian on December 16, 2013.

Issues and Analysis

According to the original agreement, Gentian was required to secure a final Certificate of Compliance by April 30, 2014. Due to the unanticipated multiple processes that ultimately led to obtaining a Revocable Use Easement, including the time allotted to planning with City departments and the scheduling and coordination of the public engagement meetings, Gentian experienced severe delays in its development schedule which directly prevented the Company from completing the project within the original

proposed timeframes referenced in the economic development incentive agreement.

Because of these delays, staff recommends that the City Council authorize the City Manager to amend original economic incentive agreement in the following ways:

1. Reduce the initial building permit threshold from 25% of the Minimum Required Capital Investment to \$400,000 (which defines "Construction Activities" (Gentian was unable to pull permits in a value equal to 25% of the projected capital investment because of the change in approach from the pursuit of a street closure to pursuit of an easement); and to,
2. Extend the time required to secure a final Certificate of Compliance to no later than April 30, 2015.

Alternatives

The City Manager may choose to reject the recommendation to extend the agreement or to approve a different length of time for the extension. Such decisions could severely impact the ability of the project be completed and to meet the broader visions of the Downtown Durham Master Plan, Comprehensive Plan and the intent to strengthen the business prospects of the Durham Convention Center. Such a decision could also severely impact the ability of the project to be an important part of redevelopment in downtown Durham.

Financial Impact

Extending the completion date in the agreement by one year would have no financial impact as the maximum amount of the economic development incentive would not change.

SDBE

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBE's are involved in this item.

Attachments:

Amendment to Agreement between Gentian and the City of Durham for Economic Incentive Contract for Capital Investments in 315 East Chapel Hill Street in Downtown Durham.